

VZCZCXRO3995
PP RUEHDE RUEHDIR
DE RUEHKU #0655/01 1601537
ZNY CCCCC ZZH
P 081537Z JUN 08
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 1624
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEHFR/AMEMBASSY PARIS PRIORITY 1154

C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 000655

SIPDIS

PASS TO DEPT OF TRANSPORTATION

E.O. 12958: DECL: 06/04/2018

TAGS: [EAIR](#) [ELTN](#) [EWT](#) [ECIN](#) [KU](#)
SUBJECT: SECRETARY OF TRANSPORTATION DISCUSSES COOPERATION
ON AVIATION, HIGHWAYS, RAIL

REF: A. KUWAIT 621
[B.](#) 07 KUWAIT 852

Classified By: Ambassador Deborah Jones for reasons 1.4 (b) and (d).

Summary

[¶1.](#) (SBU) On May 28 and June 2, an eight-person Transportation delegation led by Secretary of Transportation Mary Peters met with public and private sector leaders from Kuwait's transportation sector to review plans and developments and discuss bilateral cooperation. On May 28, the Secretary held a roundtable discussion with leaders from Kuwait's aviation sector which focused on growth in the sector resulting from the 2006 Open Skies Agreement between the U.S. and Kuwait, the upcoming privatization of Kuwait Airways, and the entry of private Kuwaiti airlines Jazeera and Wataniya. On June 2, she met with the newly appointed Ministers of Communications (Transportation) and Public Works to discuss ongoing bilateral cooperation on highways and potential future cooperation on aviation and railroads. The Ministry of Public works provided a brief summary of planned major projects including a causeway across Kuwait Bay, a major container port on Bubiyan Island, and a 1200-bed hospital. An avid Harley rider, Secretary Peters capped off the visit with a hands-on tour of Kuwait's Harley Davidson showroom attended by local press. End Summary.

Public Works Minister Outlines Projects,
Praises Bilateral Cooperation

[¶2.](#) (SBU) On June 2, Secretary Peters and the Ambassador had a combined meeting with newly appointed Minister of Public Works Fadhel Safar and newly appointed Minister of Communications Abdulrahman Al-Ghoneim (reftel) and senior members of their respective staffs. Both Ministers were cordial and courteous and expressed appreciation for past U.S. cooperation and their desire to expand that cooperation. Secretary Peters congratulated both Ministers on their new appointments.

[¶3.](#) (SBU) Safar thanked Peters for ongoing support from Federal Highways Administration engineers seconded to the Ministry of Public Works for training and advice. (Note: With a few interruptions, FHWA has provided direct support to the GOK since 1968. End note.) He said he was looking forward to sending a team of Ministry officials to Austin, Texas in July for training. He noted that most of the senior ministry officials seated at the table had attended American universities and many had received professional training from the FHWA.

[¶4.](#) (C) Under Secretary of Public Works Abdulaziz Al-Kulaib led a presentation on three of the Ministry's proposed mega-projects: a USD one billion (est.) 20-mile causeway

across Kuwait Bay to link Kuwait City with a planned &City of Silk8 on the Subiya peninsula, a 60-berth container port to be built on the east side of Bubiyan Island at the mouth of the Khor Abdallah, and a 225,000-square meter, 1200-bed hospital complex to include Kuwait,s first trauma center. (Comment: The GOK has been discussing all three of these projects for over a decade but has little to show for it. The container port and the causeway remain in the design concept phase. The hospital, the only one of the three projects likely to be implemented in the near term, is currently being tendered with bids due by the end of June. American firm Langdon Wilson is the design consultant. Adequately staffing such a facility will be a separate problem for the Ministry of Health. For background on Kuwait,s perennially delayed mega-projects see Ref B. End comment.)

¶15. (SBU) Secretary Peters remarked that Kuwait has an opportunity to become a major logistics center in the region.

She expressed interest in cooperation on infrastructure development and noted that Kuwait,s recently passed Build-Operate-Transfer law would provide an excellent framework for public-private partnerships in major infrastructure projects.

Communications Minister Touts Open Skies,
Seeks Cooperation on Aviation and Rail

¶16. (SBU) Al-Ghoneim praised the fruitful cooperation between the USG and GOK in civil aviation, specifically regarding the Open Skies Agreement signed in 2006 which had led to

KUWAIT 00000655 002 OF 003

impressive growth in Kuwait,s volume of air travelers. He said he would like to sign an MOU with the USG for cooperation in developing Kuwait,s aviation sector and in expanding and upgrading Kuwait City International Airport (KCIA). Al-Ghoneim also mentioned that the Ministry of Communications had just submitted its preliminary plans for developing railroad and commuter rail infrastructure and hoped the USG would be able to provide advice and assistance through a model analogous to the current FHWA arrangement. Al-Ghoneim added that private Kuwaiti companies were playing an important and growing role in transportation and logistics.

¶17. (SBU) Secretary Peters said she was eager to build on the success of the Open Skies Agreement and provide advice and technical recommendations for the expansion of KCIA. She said she hoped the Acting FAA Administrator would be able to return to Kuwait for consultations.

Aviation Roundtable

¶18. (SBU) On May 28, Secretary Peters and her delegation met at the Embassy with leaders in the aviation industry in Kuwait to discuss the overall aviation market in Kuwait and the region. Participants included Chairman of Kuwait Airways Hamad Al-Falah, Director General of Civil Aviation Fawaz Al-Farah, Chairman of Wataniya Airways Abdulsalam Al-Bahar, Sales Manager for United Airlines Prakash Balraj, and Senior Vice President of Gryphon Airlines William Gibbs. Discussion focused on the growth of the aviation sector in Kuwait and the region, privatization of Kuwait Airways (KAC), and plans to expand Kuwait International Airport (KCIA).

¶19. (SBU) Prakash Balraj outlined the tremendous growth United Airlines has seen in Kuwait since it started operations in 2006, which prompted expansion of its service from three flights per week to daily service. KAC Chairman discussed the KAC privatization plan, which is expected to be implemented in the next year. The Director General of Civil Aviation discussed plans to expand KCIA. The airport will add a new terminal and one more runway (it currently has two runways) in the next two years. The expansion would increase

the airport's capacity to accommodate twenty million passengers, up from the current capacity of seven million. Al-Farah stated that the USG-GOK Open Skies Agreement, signed in August 2006, and licensing of private airlines like Jazeera and Wataniya have significantly expanded the Kuwaiti market for both regional and international travel.

¶10. (SBU) Al-Bahar of Wataniya highlighted the progress made by private airlines in Kuwait. Wataniya, he said, plans to start operations in January 2009 with premium class service. This business model is aimed at attracting the affluent Kuwaiti customer, he stressed. He added that Wataniya sees great demand for premium, regional, point-to-point travel from local travelers.

¶11. (SBU) Discussion also focused on Iraq and its impact on regional aviation. Gryphon Airlines, William Gibbs stated that his airline has seen steady business to Iraq mainly from DOD contractors. Gryphon hopes to attract local customers to his airline especially through religious tourism to Najaf and Karbala. (Note: Connecting with United's Dulles-Kuwait flights, American-owned Gryphon currently runs turbo-prop shuttle services from KCIA to Baghdad. End Note).

¶12. (SBU) All participants acknowledged that although Kuwait has seen rapid growth in aviation recently, there is still much more room to grow. Expansion of KCIA, KAC privatization, and the improving situation in Iraq all have the potential of turning Kuwait into an important hub airport in the region, Al-Falah said. Civil Aviation Chairman Fawaz al-Farah added that the addition of international carriers like Delta, which will start non-stop service to Kuwait in November, will add to Kuwait's appeal as a regional hub.

Jazeera Airways

¶13. (SBU) Secretary Peters and the Ambassador met with Jazeera Airways Chairman Marwan Boodai on June 2. Peters cited Jazeera's tremendous success as the first and only privately owned airline in the Middle East as evidence that competition and private entrepreneurship are beneficial to the market, the government, and customers. She praised the GOK for its leadership in the region, not only for signing the Open Skies Agreement with the United States but also for enabling private airlines like Jazeera to operate and compete.

KUWAIT 00000655 003 OF 003

¶14. (SBU) Boodai explained that Jazeera Airways currently operates 81 non-stop routes in the Middle East and Asia. Jazeera owns six Airbus A320 aircraft and will take delivery of two more by the end of the year. It has also ordered 40 new aircraft for delivery in 2012. Jazeera went into operation in 2005 with its first flight to Dubai. Today, it is one of the top five airlines operating out of Dubai Airport, third out of Beirut and the second in Kuwait. Boodai added that one of the unique aspects of Jazeera is that it buys all its own aircraft rather than leasing them. Jazeera's business plan was modeled after American and European low-cost carriers like Southwest Airlines and EasyJet.

¶15. (SBU) According to Boodai, Jazeera is looking for more cooperation with U.S. companies in the airline services sector. It is currently in negotiations with U.S.-based Travelport to develop its reservation system. He encouraged more U.S. airlines to join United and Delta in providing carrier services to Kuwait. He contended that increased service from the United States would increase overall competition in the market and increase demand for regional travel. &Supply creates demand,⁸ he argued. &We have seen this with our flights to new, smaller destinations in the region.⁸ Jazeera sees competition as a stimulus to the market, he added. In Jazeera's experience, competition has

increased the size of the market for all the competitors. More customers are choosing to fly in the region because of increased choices and lower prices.

¶16. (SBU) Boodai admitted that Jazeera continues to face serious challenges. Government monopolies and heavily subsidized national airlines engage in anti-competitive behavior that jeopardizes Jazeera's bottom line. National airlines slash rates to drive Jazeera out of the market, but these airlines get subsidies from their governments to offset their losses, he argued. He expressed hope that the U.S. government will take action against these anti-competitive airlines when they fly to the U.S. Boodai added that another serious concern for Jazeera is the ban on overflight over Iraq. With the rise in fuel prices, without Iraq overflight Jazeera's operating costs are rising, he argued. He urged the Secretary to raise this issue with the Iraqis.

Department of Transportation Delegation

¶17. (U) The delegation consisted of:

Mary Peters) Secretary of Transportation
Quintin Kendall) Chief of Staff
Robert Sturgell) Acting Administrator, FAA
Husein Cumber) Deputy Chief of Staff
Mike Reynolds) Acting A/S for Aviation and Int'l Affairs
Brian Turmail) Director of Public Affairs
David DeCarme) Dep. Director, Int'l Transport and Trade
Vince Voci) Special Assistant to the Secretary

For more reporting from Embassy Kuwait, visit:
<http://www.state.sgov.gov/p/nea/kuwait/?cable> s

Visit Kuwait's Classified Website:
<http://www.state.sgov.gov/p/nea/kuwait/>

JONES